

AR26



# SUPERCRETE LTD. □ ANNUAL REPORT '73





**SUPERCRETE LTD.** □ Head Office: 222 Provencher Avenue, Winnipeg, Manitoba

**OFFICERS**

*President*, FRANK M. FOWLER, P.ENG.

*Vice-President*, J. HENRY BORGER

*Vice-President*, JOHN D. REDFERN, P.ENG.

*General Manager*, FRED DUNSMORE, C.A.

*Secretary-Treasurer*, ERNEST REIMER, C.A.

**DIRECTORS**

J. HENRY BORGER

FRANK M. FOWLER, P.ENG.

JOHN D. REDFERN, P.ENG.

CHARLES SCHWARTZ, JR.

D. A. THOMPSON, Q.C.

**TRANSFER AGENTS AND REGISTRARS**

MONTREAL TRUST COMPANY

Winnipeg, Canada

THE BANK OF NEW YORK

New York, U.S.A.

**SOLICITORS**

THOMPSON, DORFMAN, SWEATMAN

**AUDITORS**

PRICE WATERHOUSE & CO.

AR26

## SUPERCURE LTD.

WINNIPEG, MANITOBA

EDMONTON, ALBERTA

CALGARY, ALBERTA

NEWS RELEASE

	<u>1973</u>	<u>1972</u>
<u>Quarter ended June 30</u>		
Per Share Earnings (after taxes)	\$0.152	\$0.164
Sales	\$3,904,000	\$3,673,000
Net Income Before Tax	\$467,000	\$530,000
Provision for Income Taxes	\$217,000	\$260,000
Net Income	\$250,000	\$270,000
<u>6 Months ended June 30</u>		
Per Share Earnings (after taxes)	✓ \$0.114	✓ \$0.157
Sales	✓ \$5,917,000	✓ \$5,481,000
Net Income Before Taxes	\$343,000	\$510,000
Provision for Income Taxes	\$154,000	\$250,000
Net Income	✓ \$189,000	✓ \$260,000

The Company's operations are seasonal in nature and the results of the first six months' operations are often not representative for the year.

During the first six months of the current year construction activity in the Winnipeg area was down from the record levels enjoyed in 1972; however, the outlook for the remainder of the year is encouraging and a high level of activity is anticipated.

1973 results include the Calgary, Alberta based operations which were acquired on March 2, 1973 and to date account for approximately \$1,000,000 of the consolidated sales of \$5,917,000.

1973 income taxes have been estimated in accordance with the revised lower rates of tax applicable to manufacturing profits.

1973

1973

Quarter ended June 30

Net Share Earnings (after taxes)	\$0.11
Net Income Before Tax	\$1,907,000
Provision for Income Taxes	\$481,000
Net Income	\$1,426,000

6 Months ended June 30

Net Share Earnings (after taxes)	\$0.11
Net Income Before Tax	\$2,917,000
Provision for Income Taxes	\$543,000
Net Income	\$2,374,000

The first six months' performance was about the same as the first six months of the current year. During the first six months of the current year, activity in the foreign market was about the same as in 1972. However, the portion for the remainder of the year is uncertain and will be determined by management.

1973 results include the delivery of shares to shareholders which were reported on March 15, 1973 and to the amount of approximately \$1,000,000 of the company's cash at \$5.57 per share.

1973 results have been presented in accordance with the revised format of the application to manufacturing practice.



# SUPERCRETE LTD.

MANUFACTURERS OF CONCRETE PRODUCTS



222 PROVENCHER AVE.  
ST. BONIFACE, MANITOBA  
TELEPHONE 247-9861

August 7, 1973

News Editor  
The Globe & Mail  
140 King Street W.  
Toronto 1, Ontario

Dear Sir:

We are pleased to enclose herewith information with respect to the consolidated results of our operations for the second quarter of the year and the six months ended June 30, 1973 with 1972 comparative figures.

Yours very truly

SUPERCRETE LTD.

E. Reimer, C.A.  
Secretary-Treasurer

ER:jp

Encl.





## ***To Supercrete Shareholders:***

The consolidated financial statements of your Company and its subsidiary for the year ended December 31, 1973 are submitted, together with the Auditors' report.

1973 has been a year of expansion. As mentioned in my letter accompanying the annual report for 1972, your Company acquired all of the issued and outstanding shares of four companies engaged in the manufacture, distribution and erection of precast concrete building components and concrete pipe in Calgary, Alberta. These four companies and the previously acquired operations in Edmonton, Alberta were amalgamated as of June 30, 1973 to form one company, Supercrete (Alberta) Ltd., the name under which all of the Company's operations are now conducted in the Province of Alberta.

Consolidated sales for 1973 totalled \$14,204,986 as compared to sales of \$12,108,425 in 1972; however, 1973 sales include the Calgary operations which are not included in 1972. Net income for the year 1973 totalled \$680,182 after providing for depreciation of \$628,728 as compared to 1972 income of \$678,911 (41 cents per share 1973 and 1972). Major factors which affected 1973 income were reduced market volumes in the Winnipeg area of operations; the absorption of costs related to the acquisition and subsequent amalgamation of the Alberta-based companies; and increased interest expense as a result of increased bank borrowings and interest rates applicable to such loans, which were required to effect the purchase and expansion of these operations.

Capital expenditures for the year totalled \$976,559. As a result of this high level of capital expenditures and the purchase of the Calgary operations, consolidated working capital decreased \$390,514 to \$1,230,627, which still maintains a strong liquid position for the Company. Approximately \$650,000 of capital expenditures were incurred for the expansion and improvement of production facilities in both Calgary and Edmonton. Further substantial expansion and improvements are planned for 1974 at both locations.

Mr. John D. Redfern, Vice-President, Western Region, Canada Cement Lafarge Ltd., was appointed a director of the Company on November 7, 1973, replacing Mr. Brian Whitfield, who resigned as vice-president and director to take a position with a cement manufacturer in the U.S.A. Mr. Whitfield's resignation was accepted with regret.

The outlook for 1974 is encouraging; however, we must temper our optimism somewhat until material availability and cost escalation factors are clarified.

The Directors thank our employees, customers and others associated with the Company whose support has been greatly appreciated.

On Behalf of the Board

FRANK M. FOWLER  
President



---

## Price Waterhouse & Co.

chartered accountants

---

2200 One Lombard Place Winnipeg, Man. R3B 0X7 (204) 943-7321 Telex 07-587728

February 18, 1974

### AUDITORS' REPORT

To the Shareholders of  
Supercrete Ltd.:

We have examined the consolidated statements of earnings and retained earnings and source and application of working capital of Supercrete Ltd. and its subsidiary company for the year ended December 31, 1973 and the consolidated balance sheet as at that date. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the results of their operations and the source and application of their working capital for the year ended December 31, 1973 and the financial position of the companies as at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants.



# **SUPERCRETE LTD. *and its subsidiary company***

## ***Consolidated Statement of Earnings and Retained Earnings***

	Year ended December 31	
	<u>1973</u>	<u>1972</u>
Net sales and other income .....	<u>\$14,204,986</u>	<u>\$12,108,425</u>
Cost and expenses:		
Cost of sales, exclusive of depreciation, depletion and amortization of leasehold interests shown below .....	11,245,905	9,519,538
Selling, general and administrative expenses .....	944,971	711,467
Depreciation, depletion and amortization of leasehold interests	628,728	515,604
Amortization of excess purchase price .....	13,213	—
Interest:		
On long-term debt .....	37,916	—
On bank loans .....	<u>154,252</u>	<u>36,827</u>
	<u>13,024,985</u>	<u>10,783,436</u>
Earnings before income taxes .....	<u>1,180,001</u>	<u>1,324,989</u>
Income taxes:		
Current .....	371,961	484,778
Deferred .....	<u>127,858</u>	<u>161,300</u>
	<u>499,819</u>	<u>646,078</u>
Net earnings for the year .....	680,182	678,911
Retained earnings at beginning of year .....	3,405,880	2,891,840
Dividends paid (10 cents per share) .....	(164,877)	(164,871)
Retained earnings at end of year .....	<u>\$ 3,921,185</u>	<u>\$ 3,405,880</u>
Earnings per share .....	<u>\$ 0.41</u>	<u>\$ 0.41</u>

# SUPERCRETE LTD

## Consolidated

### ASSETS

December 31

#### CURRENT ASSETS:

	<u>1973</u>	<u>1972</u>
Cash .....	\$ 7,455	\$ 20,026
Accounts receivable.....	3,046,674	2,162,926
Inventories (note 3).....	2,379,212	1,244,001
Income taxes recoverable .....	89,105	—
Prepaid expenses .....	20,764	16,294
	<u>5,543,210</u>	<u>3,443,247</u>

PROPERTY, PLANT AND EQUIPMENT, at cost (note 4).....	11,832,196	9,945,389
Less: Accumulated depreciation, depletion and amortization .....	<u>6,864,565</u>	<u>6,023,116</u>
	<u>4,967,631</u>	<u>3,922,273</u>

Excess of cost of investment in subsidiary over net tangible assets at date of acquisition, less amortization of \$13,213 (note 5).....	516,927	31,633
---	---------	--------

*Approved by the Board:*

F. M. FOWLER, Director  
J. H. BORGER, Director

\$11,027,768

\$7,397,153



## Balance Sheet

### LIABILITIES

	December 31	
	1973	1972
CURRENT LIABILITIES:		
Bank indebtedness, secured (note 6) .....	\$ 2,823,067	\$ 720,000
Accounts payable and accrued liabilities .....	1,223,416	812,026
Income taxes payable .....	—	63,280
Deferred income taxes .....	266,100	226,800
	<u>4,312,583</u>	<u>1,822,106</u>
LONG-TERM DEBT (note 1) .....	520,000	—
DEFERRED INCOME TAXES .....	518,100	413,267
LEASE COMMITMENTS (note 7)		

### SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
1,649,833 $\frac{3}{8}$ common shares — par value 75 cents each (authorized — 1,666,666 $\frac{3}{8}$ shares) .....	1,237,375	1,237,375
CONTRIBUTED SURPLUS .....	518,525	518,525
RETAINED EARNINGS .....	3,921,185	3,405,880
	<u>5,677,085</u>	<u>5,161,780</u>
	<u>\$11,027,768</u>	<u>\$7,397,153</u>

# **SUPERCRETE LTD. *and its subsidiary company***

## ***Consolidated Statement of Source and Application of Working Capital***

	Year ended December 31	
	<u>1973</u>	<u>1972</u>
Working capital was provided by:		
Operations —		
Net earnings for the year .....	\$ 680,182	\$ 678,911
Depreciation, depletion and amortization of leasehold interests .....	628,728	515,604
Amortization of excess purchase price.....	13,213	—
Increase in non-current portion of deferred income taxes — \$104,833, less amount brought into the consolidated statements by the subsidiary company — \$10,739.....	94,094	80,900
	<u>1,416,217</u>	<u>1,275,415</u>
Promissory notes issued, less \$130,000 redeemed .....	520,000	—
	<u>1,936,217</u>	<u>1,275,415</u>
Working capital was applied to:		
Purchase of subsidiary company — cost of shares, less working capital of the subsidiary company at date of acquisition .....	1,185,295	—
Expenditure on property, plant and equipment (net).....	976,559	1,102,748
Dividends paid.....	164,877	164,871
	<u>2,326,731</u>	<u>1,267,619</u>
Increase (decrease) in working capital.....	<u>\$ (390,514)</u>	<u>\$ 7,796</u>



# Notes to the Consolidated Financial Statements

December 31, 1973

## 1. SUBSIDIARY COMPANY:

On March 2, 1973 the Company purchased all of the shares of Stoy Concrete Products Ltd., Stoy Concrete Pipe Ltd., Stoy Architectural Precast Ltd. and Precast Erection Ltd. As part of the purchase consideration the Company issued promissory notes totalling \$650,000 payable \$130,000 annually on December 31, 1973 to 1977 inclusive, together with interest at 7% per annum.

On June 30, 1973 these companies amalgamated under the provisions of the Alberta Companies Act with Supercrete (Alberta) Ltd. to form a new company, Supercrete (Alberta) Ltd.

## 2. PRINCIPLES OF CONSOLIDATION:

The consolidated balance sheet includes the assets and liabilities of Supercrete Ltd. and its wholly-owned subsidiary Supercrete (Alberta) Ltd. The consolidated statement of earnings and retained earnings includes the operations of Supercrete Ltd. and the combined operations of Supercrete (Alberta) Ltd. and its predecessor companies for the year.

## 3. INVENTORIES:

	<u>1973</u>	<u>1972</u>
Finished goods and merchandise.....	\$ 850,432	\$ 492,723
Raw materials and manufacturing supplies.....	968,468	497,186
Plant supplies and spare parts.....	176,183	119,840
Incomplete contracts, at cost less \$290,458 progress billings (1972 - \$420,397).....	<u>384,129</u>	<u>134,252</u>
	<u>\$2,379,212</u>	<u>\$1,244,001</u>

Finished goods and raw materials are stated on the basis of the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated on the basis of the lower of cost, on a first-in first-out basis, or replacement cost.

## 4. PROPERTY, PLANT AND EQUIPMENT:

	<u>1973</u>	<u>1972</u>
Land.....	\$ 496,716	\$ 415,621
Gravel and sand pits.....	243,368	253,100
Yard improvements.....	43,433	—
Buildings.....	1,814,529	1,033,713
Machinery and equipment.....	7,052,632	5,796,624
Moulds, dies, jigs and fixtures.....	1,589,744	1,263,279
Construction in progress.....	100,262	704,766
Leasehold improvements.....	<u>491,512</u>	<u>478,286</u>
	11,832,196	9,945,389
Less: Accumulated depreciation, depletion and amortization.....	<u>6,864,565</u>	<u>6,023,116</u>
	<u>\$ 4,967,631</u>	<u>\$3,922,273</u>

## 5. EXCESS OF PURCHASE PRICE:

Commencing in 1973 the Company adopted the policy of amortizing the excess of cost of investment in subsidiary company over net tangible assets at date of acquisition on a straight-line method over 40 years.

6. Accounts receivable and inventories are pledged as security against the bank indebtedness.

7. LEASE COMMITMENTS:

The Company is committed under property lease agreements for periods up to nine years at a minimum annual rental of \$107,000 with options to renew certain leases for further periods up to 27 years at varying rentals.

8. INFORMATION REQUIRED BY STATUTE:

Remuneration of directors, officers and senior employees — \$127,000.



**Cover:**

Top Left — Laying storm sewer pipe.

Top Right — Western Regional Office, Department of Mines and Minerals, Calgary. Precast Panels by Supercrete (Alberta) Ltd., Calgary Division.

Bottom Left — Supercrete Concrete truck.

Bottom Right — Screening towers at aggregate processing plant.



**Supercrete Ltd.**



# SUPERCRETE LTD. □ ANNUAL REPORT '73